



Michigan State Senator

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Dear Friend,

This is the time of year when taxpayers throughout the state receive their property assessment notices. In that regard, I want to inform you about Michigan's property tax system and your rights under the law.

With the adoption of Proposal "A", approved by the voters, Michigan's property tax structure has been dramatically changed. Property tax increases cannot exceed 5% per year or the rate of inflation, whichever is less. Therefore, your property tax increase this year cannot exceed 1.7%, even though the actual value of your property may have increased by more than 1.7%. This results in an "inflation capped" tax base called "Taxable Value" which is used to calculate your tax bill until your property's ownership is transferred.

It is important to remember that your property taxes are no longer calculated on the State Equalized Value (SEV) which may rise faster than the inflation rate.

This document will help you understand how the property tax system works so that you can determine if your property is over-assessed. After reviewing this information, if you believe that your assessment is in error, you may appeal to your local board of review and, if necessary, to the Michigan Tax Tribunal.

The appeals process costs you nothing but time, and no attorney is necessary. The attached step-by-step guide, along with your willingness to explore all the possibilities, may help you obtain a favorable reduction.

During the time that I have served as your elected Senator at the State Capitol, I have made it a top priority to provide tax relief for all Michigan taxpayers. I assure you that I will continue to strive to provide you with the highest quality service at the lowest cost to the taxpayers.

Thank you for your support.

A handwritten signature in blue ink that reads "Steve Bieda". The signature is fluid and cursive.

Steve Bieda | State Senator | 9th District

HOW TO EFFECTIVELY
**APPEAL YOUR
PROPERTY TAX
ASSESSMENT**

GUIDE TO UNDERSTANDING YOUR PROPERTY TAXES

MICHIGAN HOMESTEAD PROPERTY TAX EXEMPTION

1993 PA 331 created the State Education Tax Act, imposing a 6-mill state education tax levy on all property subject to the general property tax. 1993 PA 312 allows local school districts to levy not more than 18 mills for school operating purposes or the number of mills levied in 1993 for school operating purposes, whichever is less. Homestead property, and, pursuant to 1994 PA 136, qualified agricultural property are exempt from the 18-mill levy.

A homestead is defined, in part, to mean that portion of a dwelling or unit in a multiple dwelling owned and occupied as the owner's principal residence. A homestead also includes all of an owner's unoccupied residential property adjoining or contiguous to the dwelling owned and used as the owner's principal residence; any portion of a principal residence rented or leased as a residence to another as long as that portion rented or leased is less than 50% of the dwelling's total square footage of living space; a life care facility; or property owned by a cooperative housing corporation and occupied as a principal residence by tenant stockholders. Qualified agricultural property, in part, means unoccupied property and related buildings classified as agricultural or other unoccupied property and related buildings on that property devoted primarily to agricultural use. Property used for commercial storage, processing, distribution, marketing, or shipping is not qualified agricultural property, and an owner will not receive an exemption for that portion of the taxable value of the property used for a commercial or industrial purpose.

To be eligible for the homestead/agricultural use exemption, an owner of property must claim an exemption by filing an affidavit on or before May 1st of the tax year with the local tax collecting unit. A husband and wife, filing jointly, are entitled to no more than one homestead exemption. To be eligible for the agricultural use exemption on land classified for assessment purposes as agricultural, it is not necessary to file an affidavit unless the assessor requests it.

In addition to the 18 mills in local, nonhomestead property tax permitted to be levied under 1993 PA 312, a limited number of high-revenue school districts may levy supplemental "hold harmless" mills on homestead property, and, in some circumstances, on nonhomestead property. With voter approval, an intermediate school district may also levy, beginning in 1997, up to three "regional enhancement" mills on all property for school operating purposes. Certain school districts may, with voter approval, levy up to 5 mills for the creation of a sinking fund, and a school district operating a community college may continue to levy taxes for operation at a rate equal to the mills formerly authorized. With the expiration of such authorization, the district, with voter approval, may renew the millage authorization, levy additional millage, or both. Finally, an intermediate school district, pursuant to 1994 PA 258, may authorize certain millage for operating expenses, funding vocational-technical education programs, and special education programs.

When looking at the property tax changes in Michigan, it is helpful to realize that, with the exception of the state education tax, the property tax is really a general term for all the property taxes imposed by townships, school districts, counties, cities or villages, and other local units of government, which are all local in nature. Money raised through property taxes goes toward financing local services, such as police and fire protection; public education; the operation of city, village, township, and county governments; and financing special projects such as sewers, streets, or parks. All property taxes collected by local units of government, other than the state education tax which is sent to the School Aid Fund for distribution, are kept locally, and no part of that revenue is sent to or used by the state.

This document is intended to provide you with general information about this tax, the assessment of property, and what to do if you feel your assessment is too high.

★★★ ATTENTION ★★★

PLEASE REVIEW YOUR PROPERTY TAX ASSESSMENT NOTICE CAREFULLY TO ENSURE THAT YOUR PRIMARY RESIDENCE IS RECEIVING THE 100% HOMESTEAD EXEMPTION

YOUR PROPERTY TAX RATES

The tax rate (millage) is the number of dollars the taxpayer must pay for each \$1,000 of taxable value. This rate varies by local unit, but certain statewide constitutional and statutory restrictions exist.

To determine what your property tax will be for the year, you simply multiply your total local millage rate by your taxable value. A mill equals one one-thousandth of a dollar (\$1 of tax for each \$1,000 of taxable value). For example, if your local millage rate is 60 mills (\$60 per \$1,000 of taxable value) and your taxable value is \$20,000, the formula would be \$60 x 20, for a property tax of \$1,200.

YOUR PROPERTY TAX ASSESSMENT

Property subject to taxation by local units of government is classified as either real or personal property. Real property consists of land and any improvements to the land, such as buildings and water and sewer facilities. In contrast, personal property includes tangible items such as furniture, machines, and equipment belonging to a business, and those items not permanently attached to land or buildings. Customary household goods such as furnishings, clothing, and cars are some of the items that have been exempted from this tax.

Real property has been further divided into the following classifications: agricultural, commercial, developmental, industrial, residential, and timber cutover; while personal property has been classified as either agricultural, commercial, industrial, residential, or utility personal property.

In 1954, the Michigan Supreme Court ruled that the "assessed value" of property shall be the value placed upon the property by the local assessing officer, as equalized by the county and finally by the state. The Michigan Constitution requires that property be assessed uniformly at a rate not to exceed 50% of true cash value. In 1965, the Michigan Legislature set the assessment rate at 50% of true cash value, as authorized by the constitution.

Michigan law requires that the local assessor send to each owner or person or persons listed on the assessment roll of the property a notice, by first-class mail, of an increase in the tentative state equalized valuation or the tentative taxable value for the year. The tentative taxable value is the value used to calculate property taxes under the requirements of Proposal A. This notice must be sent at least 14 days before the meeting of the local board of review, and it must specify each parcel of property, the tentative taxable value for the current year, and the taxable value for the immediately preceding year. The notice must also include the SEV for the immediately preceding year, the tentative SEV for the current year, the net change between the tentative SEV for the current year and the SEV for the immediately preceding year, the classification of the property, the inflation rate for the immediately preceding year, and a statement explaining the relationship between SEV and taxable value. The notice must also include a reminder that if the owner purchased the homestead after May 1 of the prior year, the owner must file a homeowner's principal residence exemption claim on or before May 1.

The Michigan Constitution requires uniform assessments and because, prior to 1981, some taxing jurisdictions had not assessed property at 50% of true cash value, counties and the state had equalized the assessment roll by multiplying the assessed value by a factor designed to bring the total assessed value of all real or personal property on the roll to 50% of true cash value. In carrying out this annual equalization process, it became apparent that among the six different classes of real property and five different classes of personal property, which local units combined for assessment and equalization purposes, some were being assessed at or near the 50% rate, while others were being assessed at a considerably lower rate. This meant that when the local unit of government combined the different classes to determine what rate was needed to bring the total assessed valuation of all property up to the prescribed 50% rate, those classes that were already at or near it would be carrying a greater tax burden than those classes that were at a lower rate.

The process of equalization is now done separately for personal property and for each class of real property within each of the assessing units and the counties. Therefore, if, within an assessing unit, a particular classification of real property, such as residential, has been assessed at the proper percentage of true cash value, no equalization factor will be necessary. The 1981 equalization process was the first year in which the new separate equalization by class was accomplished.

As a further step to encourage local assessors to assess property at 50% of its true cash value, 1981 PA 213 was enacted. This law has required a city or township, when its state equalized valuation exceeds its assessed valuation, to reduce its maximum authorized millage rate to produce the same amount of property tax dollars which would have been generated on the assessed valuation.

When looking at your property tax assessment, it is important to remember that property has been assessed on the basis of its usual selling price (true cash value). For tax purposes, property has traditionally been assessed at 50% of the true cash value, and, on equalization, this resulted in the determination of the property's state equalized valuation (SEV). With the passage of Proposal A in March of 1994, however, the increase in a property's value for tax purposes, adjusted for all additions or losses, was capped at the rate of inflation or 5%, whichever is less. Taxable value is now the basis for the property tax assessment. Therefore, a property will have both a SEV and a taxable value. Assuming that your property's true cash value rises faster than the rate of inflation or 5%, whichever is less, over time the property's taxable value may grow at a rate that is significantly lower than the rate of growth of its SEV. When a property is transferred, however, the following year's SEV becomes the property's taxable value. A transfer of ownership occurs when a title or present interest in the property is transferred by, but not limited to, conveyance by deed, land contract, trust, distribution under a will, and certain leases. Transfers of property from one spouse to the other spouse or from a decedent to a surviving spouse, among other exceptions, are not considered to be a transfer of ownership.

THE BOARD OF REVIEW

If, for any reason, you disagree with the assessed value, taxable value, or assessment classification of your property, you may appeal to your local governmental board of review. Township boards of review are comprised of 3, 6, or 9 voters who are appointed by the township board. An immediate family member of the assessor may not be a member of the board of review. Two-thirds of the board must be comprised of property taxpayers in the township.

Township review boards meet on the Tuesday following the first Monday in March to review the roll and, in the week containing the second Monday in March, to hear protests. As an alternative, the township may choose an alternate start date of either the Tuesday or Wednesday following the second Monday in March. The board must meet for a total of at least twelve hours in the second week of March. The meeting times for city boards of review vary according to requirements of their respective charters. For places and times of their meetings, watch your newspaper or call your local city or township hall. Boards of review also meet in July and in December to correct qualified errors in the roll. Under the provisions of 1994 PA 237 and 1995 PA 74, these meeting dates will also be used for initial hearings on disputes over claims for the homestead, poverty, and qualified agricultural property exemptions as well as recisions of homestead exemptions. The March board of review has no authority over claims for homestead exemptions. These claims must be filed with the Michigan Department of Treasury. If you are not satisfied with the judgment of the board of review, you may appeal your assessment to the Michigan Tax Tribunal. If your homestead exemption claim is denied, you may appeal that denial to the Michigan Department of Treasury within 35 days of the denial. If the department denies your appeal, you may appeal the decision to the Michigan Tax Tribunal within 35 days. Remember, it is important that you appeal to the local board of review if you think your property is unfairly assessed relative to similar property. In addition, to make an appeal at the state level, you must have first appealed your assessment locally. This is because the county or state equalization process may require an adjustment which could increase your state equalized valuation above the 50% of true cash value level if your property is not properly assessed by the local assessor. If a taxpayer has his or her assessment reduced as a result of a protest, the assessor must use that reduced amount as the basis for the next year's assessment.

The governing body of a city or township may authorize, by adoption of an ordinance or resolution, nonresident taxpayers to file a protest before the board of review by letter without a personal appearance by taxpayers or their representatives. If such an ordinance or resolution is adopted, the township or city must notify taxpayers of this option in their assessment notices. In addition, the law requires a local review board to send a written notification of the board's action to every individual who makes a request, protest, or application for correction of property assessment.

THE MICHIGAN TAX TRIBUNAL

The only governmental body beyond the local board of review which had the power to hear property tax assessment appeals until 1974 was the State Tax Commission. This meant the State Tax Commission had administrative responsibilities for setting the levels and factors of property taxes statewide, and also judicial power of reviewing individual assessments.

The 1973-74 Michigan Legislature recognized the inequities of this situation and passed the Tax Tribunal Act. Under terms of this statute, an independent tax tribunal has the power to hear appeals of judgments of the local boards of review. The tribunal is a quasi-judicial body whose seven members are appointed by the governor and confirmed by the Michigan Senate.

If you do not believe that you received a fair and equitable response from your local board of review, you may appeal your assessment to the Michigan Tax Tribunal. You must generally file your appeal before July 31 in the year in which you received the assessment, even if you do not receive notification of the results of your appeal by the cutoff date. To make an appeal to the state level, you must have first appealed your assessment to the local board of review, unless you have an appeal pending.

If you have an appeal for a prior year pending before the Michigan Tax Tribunal for claims of property tax exemption, or before the Tribunal's Residential Property and Small Claims Division which has not yet been heard, the Tax Tribunal Act provides that an opportunity will be made available upon receipt of the Tribunal's notice of hearing for you to amend the appeal to include subsequent assessment disputes. You may request that any subsequent year be excluded at the time of the hearing.

In addition to hearing appeals from judgments of boards of review, the Residential Property and Small Claims Division also has exclusive jurisdiction over claims for agricultural and homeowner's principal residence exemptions. An appeal of a claim for a homeowner's principal residence exemption must be filed with the division within 35 days after the assessor, county treasurer, or county equalization director denies a claim for exemption. If the Department of Treasury denied a claim that was not on the tax roll, the appeal must be filed within 35 days of the decision. An appeal of a claim for a poverty exemption must be filed by June 30, if the claim was denied at the March board of review. A claim must be filed within 30 days if the July or December board of review (which are held to correct errors in the roll) denies a claim of exemption.

An initial letter of appeal to the state tax tribunal should be addressed to the Michigan Tax Tribunal, P.O. Box 30232, Lansing, Michigan 48909. The letter should state (1) that you have protested the assessed value this year at your local board of review; (2) the number of assessments you are appealing; and (3) the location of the property by village, city, or township and county.

HOW TO EFFECTIVELY APPEAL YOUR PROPERTY TAX ASSESSMENT

STEP 1 You may appeal either your taxable value, SEV or both to the March Board of Review in 2011. Go to your local assessor’s office and obtain a copy of your worksheet or appraisal card for your property. This should list the size of your house, the type of construction, special features, etc. The worksheet contains other information such as style (ranch, colonial, contemporary, etc.) of your home, utilities, construction date, number of baths, fireplaces, and kitchen range hoods. Ask the assessing department to explain the document until you completely understand the abbreviations and numbers. You can also obtain worksheets of similar properties which recently sold in the area which the assessor is using to determine the value of your property.

STEP 2 Carefully check the worksheet for errors. The assessor may agree to change some of the information or figures at that time, or you may have to make your case with the local Board of Review. There should be a “percent good” calculation on your worksheet which shows you how much your house has depreciated. Usually the Michigan Assessor’s Manual requires that every property have a “percent good” calculation. If your house is ten years old, it will be about 90% good. Percent good is another factor to use when comparing your home with other homes. (See Step 4.)

STEP 3 If your tentative taxable value increased by more than 1.7% above your 2010 SEV and you did not improve your home with additions, then your taxable value may exceed the statutorily mandated assessment cap. Call your assessor immediately and inquire as to why your taxable value increased by more than the rate of inflation. Remember, taxable value is capped at the rate of inflation or 5%, whichever is less, until the property transfers or additions are added to your home. SEV is not capped but must reflect 50% of your property’s true cash value. Either taxable value or SEV may be appealed to the Board of Review.

STEP 4 The assessor uses recently sold comparable properties to estimate the property’s SEV. However, these homes are often painted and repaired to a better condition and therefore may have a greater value than other homes which are not currently on the market. For example, some homes have all wiring, plumbing, and other features brought up to building code standards to satisfy a buyer or lender. Sometimes we simply cannot afford necessary repairs or procrastinate and live with defects today which will be improved before a future home sale. Therefore it is necessary to perform a complete inside inspection of your home. Written repair estimates and photographs of structural damage are very good evidence of defects which could affect the property value.

STEP 5 Realtors say that location is the single most important feature which determines the value of your home. If you live near a major road, landfill, business or industry, your home may be less desirable than the same home located in a purely residential neighborhood. You may live in a mixed zoning area which includes commercial, industrial and residential property. You may have a well, septic system or dirt road. Obtain copies of citizen complaints about area drug houses, rowdy party homes, and neighborhood eyesores. Tape record factory, truck or party noise. If these characteristics have changed, they may contribute to a deteriorating value of your home and you should be able to show this to the Board.

STEP 6 Comparable property assessments are one of the most important tools for a property tax assessment appeal. If comparable properties are assessed lower than yours, you may argue that your property is overassessed. Make your comparable study by requesting the appraisal cards for similar homes. Check the assessed value, the state equalized value, taxable value, type of house, and zoning. You may wish to have your home professionally appraised. A professional appraisal is the best evidence against an improper assessment and the best proof of value.

STEP 7 One of the most common mistakes home buyers can make is that they fail to inform the assessor of personal property and other valuable items which were included in the sale. Personal property items often included in a home’s sale price such as furniture, curtains, washer, dryer, etc. are exempt from assessment. If you do not inform your assessor in writing about these items, your assessment may erroneously include this value.

STEP 8 The last step in the process is to put all your information into letter form. An example is on this page.

STEP 9 If you are not satisfied with the decision of your local Board of Review, you may want to continue your appeal. In order to do this, you must send a letter to the Michigan Tax Tribunal, P. O. Box 30232, Lansing, MI 48909 before July 31. You must appeal to the local Board of Review before you can appeal to the Michigan Tax Tribunal.

STRATEGY Bring a presentation copy for yourself and each of the Board of Review members. Read your presentation to the Board. You may have about five minutes, so make your points, show photographs and stay professional.

SAMPLE APPEAL LETTER

Date
Name, Address, Telephone
To the Board of Review/Tax Tribunal:
I wish to appeal my property tax assessment for the following reasons:
1. According to my Worksheet/Property Record, I have noted the following discrepancies:
A. I do not have a fireplace as indicated. Estimated value..... \$1,800
B. I do not have a tile bath as indicated. Estimated value \$1,200
C. According to my worksheet, I have 1500 square feet of living space. I have 1000 square feet. Reduced value \$6,920
This amount should be deducted from true cash value\$9,920
2. I have noted the following structural defects on my property. They reduce the value of the property by the following amounts:
A. Cracked foundation..... \$3,800
B. Cracked exterior wall..... \$2,200
This amount should be deducted from true cash value \$6,000

3. I live in an area that has mixed zoning and next door there is a new junkyard which emits loud noises and noxious odors. This affects the value of my property. I feel my true cash value has been reduced by..... **\$3,000**
3a. Grand Total, add #1, 2 and 3 above..... \$18,920
4. I wish to make the following comparables:
231 Main Street, assessed value _____
(List all comparables and ask for an average reduction. Note: add all items you noted as discrepancies, comparable amounts, etc.)
Example:
True cash value..... \$60,000
Minus Discrepancy/Grand Total \$18,920
New True Cash Value..... \$41,080
One half = Assessed value (SEV) \$20,540
NOTE: This sample letter indicates many of the grounds for a reduced assessment. It is very unlikely that an assessment could be reduced by nearly one-third, as illustrated here, but every reduction is important.